

**RICHARD CITY-DEPTFORD SCHOOL
GENERAL-PURPOSE SCHOOL FUNDS**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

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RICHARD CITY-DEPTFORD SCHOOL
School Board Members
June 30, 2016

Cindy Blevins.....Director

Melissa Stewart Chairman

Bill Stuart Member

Amy Blevins..... Member

II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Richard City-Deptford School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Richard City-Deptford School, as of June 30, 2016, and, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Richard City Schools' Proportionate Share of the Net Pension Liability (Asset), and Schedules of Richard City Schools' Contributions listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richard City-Deptford School's basic financial statements. The Introductory Section, non-major governmental fund financial statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major governmental fund financial statements and financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Education
Richard City-Deptford School
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the Richard City-Deptford School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Richard City-Deptford School's internal control over financial reporting and compliance.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
October 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Richard City-Deptford School (RCDS) we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the RCDS for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Richard City-Deptford School's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,709,985 (net position).

Total governmental activities operated at a surplus of \$118,297 for the year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the RCDS's basic financial statements. The RCDS's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the RCDS's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the RCDS's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the RCDS is improving or deteriorating.

The *Statement of Activities* presents information showing how the RCDS's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the RCDS that are principally supported by taxes and intergovernmental revenues (governmental activities).

The government-wide financial statements include not only the RCDS, but also the operations of the Student Activity Funds. The governmental activities of RCDS include regular instruction, special education program, students and attendance, health services, other student support, regular and special education support, Board of Education, Superintendent, Principal, fiscal services, plant operations, maintenance of plant, food service, community services, student activities and interest on long-term debt.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The RCDS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the RCDS are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The RCDS maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are presented separately. Individual fund data for the non-major governmental funds are provided later in this report beginning on page 50.

The RCDS adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major and non-major governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23 through 45 of this report.

Other Information

The statements referred to earlier in connection with the non-major governmental funds, are presented following the notes and RSI. Individual fund statements can be found on pages 51 through 55 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain financial schedules concerning RCDS, which can be found on pages 56 through 61 of this report.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RCDS, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,709,985 at the close of this fiscal year.

A portion of the RCDS's net position (63.07%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The RCDS uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although RCDS's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richard City-Deptford School's Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Other assets	\$ 1,274,668	\$ 1,239,361
Capital assets	<u>3,880,699</u>	<u>4,021,859</u>
Total assets	<u>\$ 5,155,367</u>	<u>\$ 5,261,220</u>
Deferred outflows of resources	<u>\$ 289,992</u>	<u>\$ 94,351</u>
Long-term liabilities	\$ 2,682,237	\$ 2,803,226
Other liabilities	<u>337,684</u>	<u>354,336</u>
Total liabilities	<u>\$ 3,019,921</u>	<u>\$ 3,157,562</u>
Deferred inflows of resources	<u>\$ 715,453</u>	<u>\$ 640,696</u>
Net investment in capital assets	\$ 1,078,477	\$ 1,098,137
Restricted	7,525	19,279
Unrestricted	<u>623,983</u>	<u>439,897</u>
Total net position	<u>\$ 1,709,985</u>	<u>\$ 1,557,313</u>

Only \$7,525 of the RCDS's net position represents resources that are subject to external restrictions on how they may be used. Therefore, \$623,983 in unrestricted net position may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2016, the RCDS is able to report positive balances in all three categories of net position.

Changes in Net Position

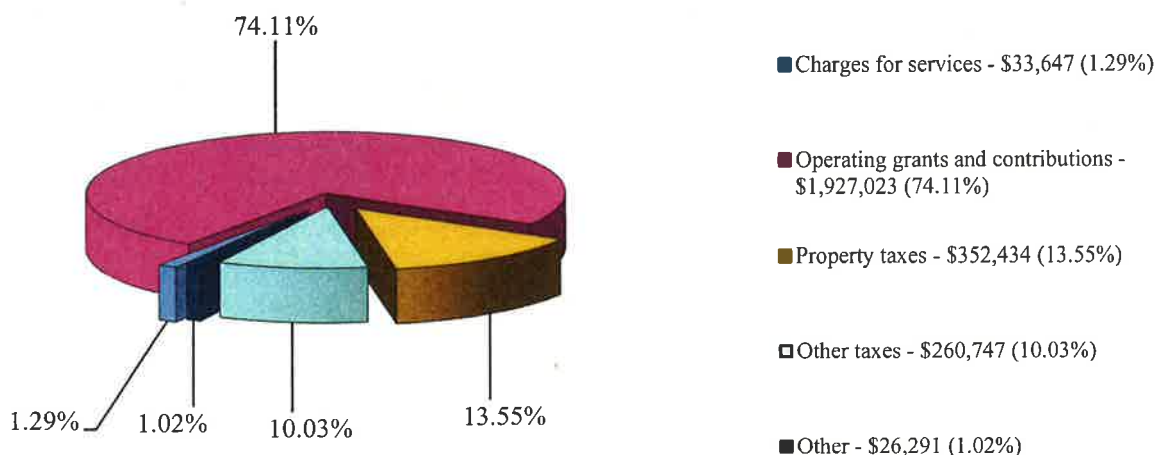
Governmental activities increased the RCDS's net position by \$118,297. The table below provides a summary of RCDS's changes in net position. The 2016 beginning net position was adjusted due to the prior period adjustment described in Note 15.

Richard City-Deptford School's Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 33,647	\$ 29,667
Operating grants and contributions	1,927,023	1,902,742
General revenues:		
Property taxes	352,434	343,570
Other taxes	260,747	211,234
Other	26,291	39,842
Total revenues	<u>2,600,142</u>	<u>2,527,055</u>
Expenses:		
Regular instruction	1,048,367	1,063,633
Special education program	100,121	113,394
Students and attendance	28,163	29,442
Health services	48,739	36,132
Other student support	68,143	76,500
Regular and special education support	59,507	65,731
Board of Education	59,889	63,906
Superintendent	76,895	78,186
Principal	74,249	74,853
Fiscal services	38,697	39,467
Plant operation	389,268	405,524
Maintenance of plant	43,550	37,459
Food service	166,257	151,783
Community services	5,907	5,913
Student activities	157,559	151,542
Interest on long-term debt	116,534	173,068
Total expenses	<u>2,481,845</u>	<u>2,566,533</u>
Increase (decrease) in net position	118,297	(39,478)
Net position - beginning	<u>1,591,688</u>	<u>1,596,791</u>
Net position - end	<u>\$ 1,709,985</u>	<u>\$ 1,557,313</u>

The graphs below summarize the \$2,600,142 of the School's revenues by source.

School-Wide Sources of Revenue



FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the RCDS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the RCDS's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the RCDS's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year the RCDS's governmental funds reported combined ending fund balances of \$760,018. Within the governmental funds, \$7,525 is restricted by the state, \$15,790 is committed by the School Board, and \$65,877 is assigned by the Student Activity Fund.

The General Fund is the chief operating fund of the RCDS. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$670,826. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 29.96% of total General Fund expenditures.

The fund balance of the RCDS's General Fund increased by \$53,157 during the current fiscal year.

General Fund Budgetary Highlights

During the year, the following amendments were made to the original budget:

Total budgeted expenditures increased by \$115,227.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The RCDS's capital assets for its governmental activities as of June 30, 2016, amounted to \$3,880,699 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and furniture, fixtures and equipment.

Major capital asset events during the current fiscal year included the following:

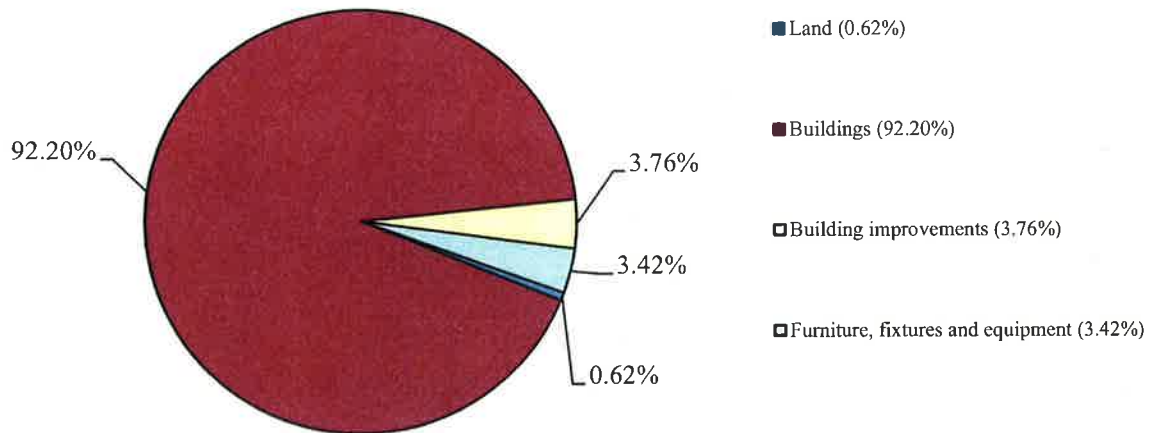
Awning	\$ 22,455
Ballfield	\$ 10,400
PA System	\$ 9,610
Little Tykes Tree	\$ 8,050
Warning track	\$ 4,069

Richard City-Deptford School's Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>
Land	\$ 24,000
Buildings	3,578,124
Building improvements	146,030
Furniture, fixtures and equipment	<u>132,545</u>
	<u>\$ 3,880,699</u>

The following graph provides a breakdown of which assets make up the largest portion of the School's total investment in capital assets.

School-Wide Capital Assets



Additional information on the School's capital assets can be found in Note 5 on page 30.

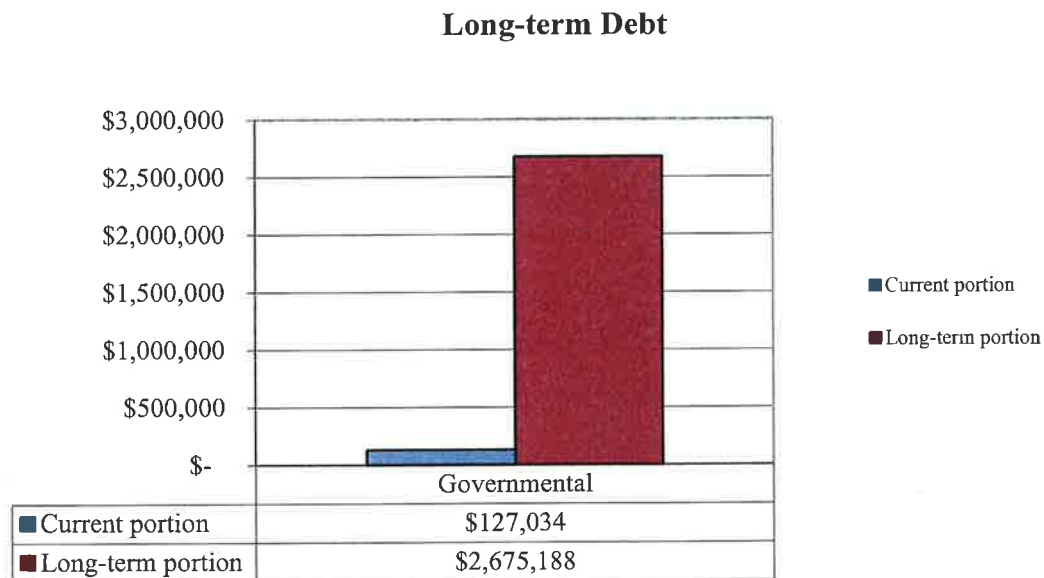
Richard City-Deptford School's Outstanding Debt

Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$2,802,222. Of this amount \$127,034 is due in the next fiscal year.

	Governmental Activities
School bonds - series 2015	\$ 960,000
School bonds - series 2004	<u>1,842,222</u>
	2,802,222
Current portion	<u>(127,034)</u>
Long-term debt	<u>\$ 2,675,188</u>

The graph below shows debt for governmental activities broken down into current and long-term portions.



Additional information on long-term debt can be found in Note 7 on page 31.

Currently Known Conditions Effecting Future Years

Richard City-Deptford School is in the process of constructing a ball field. While most of the materials and labor have been donated, the School estimates spending around \$10,000 and hopes to be finished by the spring of 2016.

An awning, breezeway and gate will be constructed in the upcoming year.

Requests for Information

This financial report is designed to provide a general overview of RCDS's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report and requests for additional financial information may be addressed to Richard Hardy Memorial School, 1620 Hamilton Avenue, South Pittsburg, TN 37380.

BASIC FINANCIAL STATEMENTS

RICHARD CITY-DEPTFORD SCHOOL
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 677,554
Investments	258,927
Property tax receivable	311,458
Sales tax receivable	19,252
Grants receivable	7,477
Total current assets	<u>1,274,668</u>
Non-current assets	
Capital assets	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	<u>3,856,699</u>
Total capital assets	<u>3,880,699</u>
TOTAL ASSETS	<u>\$ 5,155,367</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 289,992</u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,449
Accrued liabilities	209,201
Bond payable - due in one year	<u>127,034</u>
Total current liabilities	<u>337,684</u>
Non-current liabilities	
Bonds payable	2,675,188
Net pension liability	<u>7,049</u>
Total non-current liabilities	<u>2,682,237</u>
TOTAL LIABILITIES	<u>\$ 3,019,921</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property tax	\$ 304,000
Deferred inflows related to pensions	<u>411,453</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 715,453</u>
 NET POSITION	
Net investment in capital assets	\$ 1,078,477
Restricted for education	7,525
Unrestricted	<u>623,983</u>
TOTAL NET POSITION	<u>\$ 1,709,985</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL

Statement of Activities

Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
Regular instruction	\$ 1,048,367	\$ 17,800	\$ 1,590,913	\$ -	\$ 560,346
Special education program	100,121	-	58,527	-	(41,594)
Students and attendance	28,163	-	-	-	(28,163)
Health services	48,739	-	-	-	(48,739)
Other student support	68,143	5,673	-	-	(62,470)
Regular and special education support	59,507	-	13,219	-	(46,288)
Board of Education	59,889	-	-	-	(59,889)
Superintendent	76,895	-	-	-	(76,895)
Principal	74,249	-	-	-	(74,249)
Fiscal services	38,697	-	-	-	(38,697)
Plant operation	389,268	-	-	-	(389,268)
Maintenance of plant	43,550	-	-	-	(43,550)
Food service	166,257	10,174	106,471	-	(49,612)
Community services	5,907	-	-	-	(5,907)
Student activities	157,559	-	157,893	-	334
Interest on long-term debt	116,534	-	-	-	(116,534)
Total primary government	\$ 2,481,845	\$ 33,647	\$ 1,927,023	\$ -	(521,175)
General revenues:					
Property taxes					352,434
Payments in lieu of taxes					2,851
Local option sales tax					244,139
Hotel-motel tax					2,126
Bank excise tax					3,690
Wholesale beer tax					6,980
Other statutory local taxes					961
Interest revenue					2,209
Other revenues					24,082
Total general revenues					639,472
Change in net position					118,297
Net position - beginning (as restated)					1,591,688
Net position - end					<u>\$ 1,709,985</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 605,979	\$ 71,575	\$ 677,554
Investments	258,927	-	258,927
Due from other funds	10,451	-	10,451
Property tax receivable	311,458	-	311,458
Sales tax receivable	19,252	-	19,252
Grants receivable	-	7,477	7,477
TOTAL ASSETS	\$ 1,206,067	\$ 79,052	\$ 1,285,119
LIABILITIES			
Accounts payable	\$ -	\$ 1,449	\$ 1,449
Accrued liabilities	207,926	1,275	209,201
Due to other funds	-	10,451	10,451
TOTAL LIABILITIES	\$ 207,926	\$ 13,175	\$ 221,101
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	\$ 304,000	\$ -	\$ 304,000
FUND BALANCES			
Restricted	\$ 7,525	\$ -	\$ 7,525
Committed	15,790	-	15,790
Assigned	-	65,877	65,877
Unassigned	670,826	-	670,826
TOTAL FUND BALANCES	\$ 694,141	\$ 65,877	\$ 760,018

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total fund balances per governmental funds balance sheet	\$ 760,018
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,880,699
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,802,222)
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(128,510)</u>
Net position of governmental activities	<u>\$ 1,709,985</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local taxes	\$ 583,560	\$ -	\$ 583,560
Special school district taxes	29,621	-	29,621
Licenses and permits	157	-	157
Charges for services	23,473	-	23,473
Other local revenues	35,426	201	35,627
Intergovernmental	1,620,226	148,904	1,769,130
Student activities	-	157,888	157,888
TOTAL REVENUES	<u>2,292,463</u>	<u>306,993</u>	<u>2,599,456</u>
EXPENDITURES			
Current expenditures			
Regular instruction	1,056,715	68,882	1,125,597
Special education program	70,128	34,195	104,323
Students and attendance	28,163	-	28,163
Health services	55,108	-	55,108
Other student support	41,754	1,031	42,785
Regular and special education support	14,711	44,796	59,507
Board of Education	59,889	-	59,889
Superintendent	82,800	-	82,800
Principal	79,310	-	79,310
Fiscal services	38,697	-	38,697
Plant operation	187,159	-	187,159
Maintenance of plant	43,550	-	43,550
Food service	166,257	-	166,257
Community services	5,907	-	5,907
Student activities	-	157,554	157,554
Capital outlay	71,124	-	71,124
Debt service	238,034	-	238,034
TOTAL EXPENDITURES	<u>2,239,306</u>	<u>306,458</u>	<u>2,545,764</u>
Excess (deficiency) of revenues over (under) expenditures	53,157	535	53,692
Fund balances - beginning	<u>640,984</u>	<u>65,342</u>	<u>706,326</u>
Fund balances - end	<u>\$ 694,141</u>	<u>\$ 65,877</u>	<u>\$ 760,018</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances for total governmental funds	\$ 53,692
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(141,160)
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	121,500
Pension expense from the prior year is not reported in the governmental funds but is added to governmental activities revenue. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>84,265</u>
Change in net position of governmental activities	<u>\$ 118,297</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Local taxes				
County property taxes	\$ 379,324	\$ 379,324	\$ 322,813	\$ (56,511)
Payments in lieu of taxes	2,820	2,820	2,851	31
Local option sales tax	191,013	191,013	244,139	53,126
Hotel-motel tax	1,500	1,500	2,126	626
Bank excise tax	3,500	3,500	3,690	190
Wholesale beer tax	5,500	5,500	6,980	1,480
Mixed drink tax	2,000	2,000	871	(1,129)
Other statutory local taxes	100	100	90	(10)
Total local taxes	<u>585,757</u>	<u>585,757</u>	<u>583,560</u>	<u>(2,197)</u>
Special school district taxes				
City property tax	<u>23,750</u>	<u>23,750</u>	<u>29,621</u>	<u>5,871</u>
License and permits				
Marriage license	<u>100</u>	<u>100</u>	<u>157</u>	<u>57</u>
Charges for services				
Tuition	20,000	20,000	17,800	(2,200)
After school program	<u>4,000</u>	<u>4,000</u>	<u>5,673</u>	<u>1,673</u>
Total charges for services	<u>24,000</u>	<u>24,000</u>	<u>23,473</u>	<u>(527)</u>
Other local revenues				
Interest earned	750	750	2,008	1,258
Miscellaneous	6,000	6,000	15,133	9,133
Contributions and gifts	15,000	15,000	8,111	(6,889)
Lunch and snacks	<u>9,000</u>	<u>9,000</u>	<u>10,174</u>	<u>1,174</u>
Total other local revenues	<u>30,750</u>	<u>30,750</u>	<u>35,426</u>	<u>4,676</u>
Intergovernmental				
Education funds	1,222,140	1,222,140	1,231,251	9,111
Education funds - awards	275,736	275,736	275,736	-
Career ladder program	7,000	7,000	6,768	(232)
USDA lunch and breakfast	<u>100,000</u>	<u>100,000</u>	<u>106,471</u>	<u>6,471</u>
Total intergovernmental	<u>1,604,876</u>	<u>1,604,876</u>	<u>1,620,226</u>	<u>15,350</u>
TOTAL REVENUES	<u>2,269,233</u>	<u>2,269,233</u>	<u>2,292,463</u>	<u>23,230</u>

(Continued)

The accompanying notes are an integral part of the financial statements

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES				
Current Expenditures				
Regular instruction				
Salaries	\$ 815,340	\$ 834,352	\$ 815,100	\$ 19,252
Payroll taxes	61,060	61,607	64,064	(2,457)
Retirement	69,740	70,343	69,940	403
Medical insurance	13,893	25,905	25,905	-
Contracted services	16,638	16,638	16,033	605
Supplies and materials	48,768	52,012	51,824	188
Other charges	1,249	1,732	1,732	-
Unemployment insurance	12,117	12,117	12,117	-
Total regular instruction	<u>1,038,805</u>	<u>1,074,706</u>	<u>1,056,715</u>	<u>17,991</u>
Special education program				
Salaries	73,727	61,377	61,127	250
Payroll taxes	5,640	4,695	4,584	111
Retirement	4,236	4,236	4,236	-
Other charges	-	-	150	(150)
Supplies and materials	<u>50</u>	<u>500</u>	<u>31</u>	<u>469</u>
Total special education program	<u>83,653</u>	<u>70,808</u>	<u>70,128</u>	<u>680</u>
Students and attendance				
Salaries	23,025	23,025	23,025	-
Payroll taxes	1,762	1,761	1,762	(1)
Contracted services	2,500	3,057	776	2,281
Supplies and materials	550	809	808	1
Travel	<u>3,100</u>	<u>1,968</u>	<u>1,792</u>	<u>176</u>
Total students and attendance	<u>30,937</u>	<u>30,620</u>	<u>28,163</u>	<u>2,457</u>
Health services				
Salaries	28,090	28,090	28,090	-
Payroll taxes	2,150	2,202	2,201	1
Supplies and materials	15,234	14,984	14,816	168
Travel	3,000	1,059	1,059	-
Other charges	<u>7,001</u>	<u>8,942</u>	<u>8,942</u>	<u>-</u>
Total health services	<u>55,475</u>	<u>55,277</u>	<u>55,108</u>	<u>169</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Other student support				
Salaries	\$ 3,650	\$ 3,650	\$ 3,400	\$ 250
Payroll taxes	279	279	260	19
Contracted services	4,800	4,800	9,350	(4,550)
Supplies and materials	650	650	600	50
Travel	1,600	1,639	1,639	-
Other charges	26,775	26,775	26,505	270
Total other student support	<u>37,754</u>	<u>37,793</u>	<u>41,754</u>	<u>(3,961)</u>
Regular and special education support				
Salaries	2,572	2,572	2,572	-
Payroll taxes	196	197	196	1
Contracted services	14,500	14,500	11,943	2,557
Total regular and special education support	<u>17,268</u>	<u>17,269</u>	<u>14,711</u>	<u>2,558</u>
Board of Education				
Professional services	23,150	24,137	22,547	1,590
Travel	3,000	3,000	2,033	967
Other charges	2,425	3,080	3,079	1
Dues and memberships	1,552	1,552	1,541	11
Insurance	21,774	22,905	21,105	1,800
Trustee commission	10,500	10,500	9,584	916
Total Board of Education	<u>62,401</u>	<u>65,174</u>	<u>59,889</u>	<u>5,285</u>
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Superintendent				
Salaries	\$ 63,400	\$ 63,400	\$ 63,400	\$ -
Payroll taxes	4,850	4,850	4,686	164
Retirement	5,731	5,731	5,731	-
Supplies and materials	200	236	235	1
Travel	3,000	3,000	1,659	1,341
Other charges	255	289	289	-
Dues and memberships	1,889	2,008	2,008	-
Communication	4,667	4,792	4,792	-
Total Superintendent	83,992	84,306	82,800	1,506
Principal				
Salaries	58,855	58,855	58,855	-
Payroll taxes	3,862	4,043	3,860	183
Retirement	5,320	5,357	5,357	-
Medical insurance	6,190	6,046	6,046	-
Supplies and materials	50	61	56	5
Travel	500	500	-	500
Other charges	255	289	289	-
Dues and memberships	55	55	55	-
Communication	4,667	4,792	4,792	-
Total Principal	79,754	79,998	79,310	688
Fiscal services				
Salaries	33,000	33,000	33,000	-
Payroll taxes	2,525	2,525	2,525	-
Supplies and materials	800	891	890	1
Travel	350	376	376	-
Other charges	1,000	1,920	1,906	14
Total fiscal services	37,675	38,712	38,697	15
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Plant operation				
Salaries	\$ 60,666	\$ 60,666	\$ 55,062	\$ 5,604
Payroll taxes	4,641	4,641	4,098	543
Contracted services	15,000	15,000	7,628	7,372
Supplies and materials	11,700	11,950	11,350	600
Travel	1,500	1,500	1,160	340
Other charges	250	4,605	4,604	1
Insurance	15,187	15,187	15,187	-
Utilities	90,500	99,746	88,070	11,676
Total plant operation	<u>199,444</u>	<u>213,295</u>	<u>187,159</u>	<u>26,136</u>
Maintenance of plant				
Maintenance and repairs - building	4,000	15,200	15,198	2
Maintenance and repairs - equipment	10,000	15,707	14,419	1,288
Vehicle	1,000	1,000	658	342
Equipment and machine parts	1,000	1,000	240	760
Contracted services	12,593	12,688	13,035	(347)
Total maintenance of plant	<u>28,593</u>	<u>45,595</u>	<u>43,550</u>	<u>2,045</u>
Food service				
Salaries	38,390	38,390	36,455	1,935
Payroll taxes	2,937	2,937	2,801	136
Contracted services	113,000	122,250	122,228	22
Supplies and materials	2,500	2,500	1,572	928
Staff development	200	333	333	-
Travel	700	700	671	29
Other charges	2,000	2,200	2,197	3
Total food service	<u>159,727</u>	<u>169,310</u>	<u>166,257</u>	<u>3,053</u>
Community services				
Salaries	5,000	5,481	5,481	-
Payroll taxes	383	426	426	-
Total community service	<u>5,383</u>	<u>5,907</u>	<u>5,907</u>	<u>-</u>
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Capital outlay				
Regular instruction equipment	\$ 4,500	\$ 11,287	\$ 11,286	\$ 1
Special education program	500	5,000	15	4,985
Other student support	26,775	38,785	37,368	1,417
Building improvements	-	24,000	22,455	1,545
Total capital outlay	<u>31,775</u>	<u>79,072</u>	<u>71,124</u>	<u>7,948</u>
Debt service				
Principal paid on debt	85,000	85,000	85,000	-
Interest paid on debt	<u>159,295</u>	<u>159,316</u>	<u>153,034</u>	<u>6,282</u>
Total debt service	<u>244,295</u>	<u>244,316</u>	<u>238,034</u>	<u>6,282</u>
TOTAL EXPENDITURES	<u>2,196,931</u>	<u>2,312,158</u>	<u>2,239,306</u>	<u>72,852</u>
Excess (deficiency) of revenues over (under) expenditures	72,302	(42,925)	53,157	96,082
Fund balances - beginning	<u>640,984</u>	<u>640,984</u>	<u>640,984</u>	<u>-</u>
Fund balances - end	<u>\$ 713,286</u>	<u>\$ 598,059</u>	<u>\$ 694,141</u>	<u>\$ 96,082</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Richard City-Deptford School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Richard City-Deptford School (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria there are no entities which meet the above criteria for inclusion in the Richard City-Deptford School financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as governmental activities.

Government-wide statements

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis for column, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide statements (Continued)

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as needed.

This government-wide focus is designed to view the School as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements

The fund financial statements provide information about the School's funds (its governmental funds). Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The School reports the following major governmental fund:

General Fund

This is the School's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which there is an enforceable lien. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus and the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers property taxes as available if they are collected within 60 days after the year-end. Those revenues susceptible to accrual are taxes, tuition and interest revenue. Licenses and permits, and most miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Budgets

The School is required by state statute to adopt annual budgets. The General Fund and Federal Projects Fund budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the School Board, and any authorized revisions.

The Student Activity Fund is not required by state statutes to have an appropriated budget. However, student activity funds are required to have a management budget for each fiscal year.

Budgeted amounts are adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. During the year, several supplementary appropriations were necessary. All appropriations which are not expended lapse at year-end.

E. Cash and Cash Equivalents

For the purpose of reporting cash on the Statement of Net Position, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less, when purchased to be cash equivalents. Cash consists of cash-on-hand and deposits with financial institutions. At June 30, 2016, there were no cash equivalents.

F. Investments

All investments are reported at fair value, which is based on quoted market prices.

The School is authorized by State Statutes to invest in the following:

- Bonds, notes or treasury bills of the United States.

- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

- Any obligation guaranteed by the United States or any of its agencies.

- Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

- The Local Government Investment Pool created by Title 9.

G. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Transactions (Continued)

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds.

H. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset's lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	15-40
Furniture, fixtures and equipment	5-20
Building improvements	7-15

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the School has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the School has two types of items that qualify for reporting in this category: deferred revenue - property tax and deferred inflows related to pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation pay is not computed or paid separately, but is built into salaries which are paid over the twelve month school year. Therefore no accrual is required. The granting of sick leave has no guaranteed payment attached and requires no accrual.

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

N. Net Position

Net position is the residual of all elements presented in the Statement of Net Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets which are maintained for a specific purpose.

O. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable: The School cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The School Board has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, a simple majority vote.

Assigned: Amounts that are constrained by the School's intent to be used for specific purposes are reflected as assigned. The principal is the official authorized to assign amounts to a specific purpose. Authorization is established by the *Tennessee Internal School Uniform Accounting Policy Manual*.

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned resources are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Student Activity Fund

Richard City-Deptford School's Activity Fund is authorized by the Board of Education's adoption of the "Tennessee Internal School Financial Management Manual". Funds are received from fund-raisers. The proceeds received are used to benefit all students, or the restricted purpose for which they were collected. These funds are the property of Richard City-Deptford School, and they are responsible for them when received by their employees.

R. Events Occurring after Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2016, and October 14, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2016, the carrying amount of the School's deposits was \$936,481, and the bank balance was \$1,001,784. At year-end, none of the School's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

The carrying amount of the School's deposits and certificates of deposit is classified as follows on the Statement of Net Position:

Cash	\$ 677,554
Investments	<u>258,927</u>
Total	<u>\$ 936,481</u>

Investments

The School's investments are carried at fair value, and consist of certificates of deposit. The School's investments are listed on the Statement of Net Position are as follows:

Investments	<u>\$ 258,927</u>
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NOTE 3 - PROPERTY TAXES

The School recognizes property tax revenues on the accrual basis in the government-wide financial statements, and in the governmental funds they are recognized on the modified accrual basis, as prescribed by the Governmental Accounting Standards Board.

Special School District property taxes received by the School are assessed by the Tax Assessor of Marion County, Tennessee, and collected by the County. Taxes are due October 1, and become delinquent March 1. The tax rate for the 2016 year was \$.1965 per \$100 of assessed valuation.

The School also receives .0586% per \$100 of the total assessed valuation for Marion County. This rate is based on school attendance.

Marion County has periodic public sales of delinquent tax properties. Accordingly, there is no allowance for uncollectibles recorded in the financial statements.

In addition to the Special School District property taxes, the School receives a portion of county property taxes and other miscellaneous county taxes, based on the percentage of the School's student enrollment to total county school enrollment.

Property taxes for the 2016 levy are considered to be owed to the School as of the lien date on January 1, 2016. Therefore, the entire 2016 levy was recorded as a receivable and deferred revenue as of June 30, 2016, in the financial statements.

NOTE 4 - GRANTS RECEIVABLE

Grant receivable at June 30, 2016, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title I, Part A	\$ 2,219
IDEA - Preschool	632
Title II, Part A	<u>4,626</u>
Total	<u>\$ 7,477</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Capital assets being depreciated:				
Buildings	5,631,495	3,870	-	5,635,365
Building improvements	620,897	48,199	(16,520)	652,576
Furniture, fixtures and equipment	<u>373,321</u>	<u>12,750</u>	<u>(19,989)</u>	<u>366,082</u>
Total capital assets being depreciated	<u>6,625,713</u>	<u>64,819</u>	<u>(36,509)</u>	<u>6,654,023</u>
Less accumulated depreciation for:				
Buildings	1,921,549	135,692	-	2,057,241
Building improvements	481,976	41,090	(16,520)	506,546
Furniture, fixtures and equipment	<u>224,329</u>	<u>29,197</u>	<u>(19,989)</u>	<u>233,537</u>
Total accumulated depreciation	<u>2,627,854</u>	<u>205,979</u>	<u>(36,509)</u>	<u>2,797,324</u>
Total capital assets being depreciated - net	<u>3,997,859</u>	<u>(141,160)</u>	<u>-</u>	<u>3,856,699</u>
Governmental activities capital assets - net	<u>\$ 4,021,859</u>	<u>\$ (141,160)</u>	<u>\$ -</u>	<u>\$ 3,880,699</u>

Depreciation expense was charged to the functions of the primary government as follows:

Plant operation	<u>\$ 205,979</u>
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NOTE 6 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2016, consists of the following:

June 30, 2015 balance (as restated)	\$ 128,726
Deferred outflows for investment earnings	217,527
Amortization of deferred outflows for actuarial experience	(1,545)
2016 contribution	79,599
Amortization of deferred outflows for investment earnings	(43,505)
2015 contribution	(84,846)
Change in proportionate share	(6,645)
Difference in employer contributions	<u>681</u>
Total	<u>\$ 289,992</u>

NOTE 7 - LONG-TERM DEBT

A. Governmental Debt

General Fund

Long-term debt payable by the General Fund, which consists of bonds payable, is summarized as follows:

	<u>Principal Balance</u>
Bonds payable - School Bond - Series 2015, due in varying annual payments, interest rate 3.75%, maturing in 2025.	\$ 960,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$115,644, interest rate 4.25%, maturing in 2043.	<u>1,842,222</u>
	2,802,222
Less current portion of governmental long-term debt	<u>(127,034)</u>
Total governmental long-term debt	<u>\$ 2,675,188</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2016, is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Amount due Within One Year</u>
School bonds - Series 2015	\$ 1,045,000	\$ -	\$(85,000)	\$ 960,000	\$ 90,000
School bonds - Series 2004	<u>1,878,722</u>	-	<u>(36,500)</u>	<u>1,842,222</u>	<u>37,034</u>
Total	<u>\$ 2,923,722</u>	<u>\$ -</u>	<u>\$(121,500)</u>	2,802,222	<u>\$ 127,034</u>
Less: current portion of governmental long-term debt				<u>(127,034)</u>	
Total governmental long-term debt				<u>\$ 2,675,188</u>	

Interest paid during the year ended June 30, 2016, on governmental long-term debt amounted to \$116,534.

Governmental debt service requirements to maturity including interest of \$1,479,557 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 127,034	\$ 114,610	\$ 241,644
2018	133,639	109,630	243,269
2019	135,314	104,392	239,706
2020	147,061	99,083	246,144
2021	153,884	93,323	247,207
2022-2026	714,650	372,821	1,087,471
2027-2031	308,642	269,578	578,220
2032-2036	381,574	196,646	578,220
2037-2041	471,740	106,480	578,220
2042-2044	<u>228,684</u>	<u>12,994</u>	<u>241,678</u>
Total	<u>\$ 2,802,222</u>	<u>\$ 1,479,557</u>	<u>\$ 4,281,779</u>

NOTE 8 - NET PENSION LIABILITY

Net pension liability at June 30, 2016, consists of the following:

Net pension asset a June 30, 2015	\$ (4,195)
Employer contributions made during 2015	(84,846)
Negative pension expense	(4,750)
Actuarial experience different than assumption	(180,704)
Amortization of actuarial experience	28,491
Investment earnings different than assumption	217,527
Amortization of investment earnings	35,149
Change in proportionate share	<u>377</u>
Total	<u>\$ 7,049</u>

NOTE 9 - DEFERRED REVENUE - PROPERTY TAX

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer inflows recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ -</u>	<u>\$ 304,000</u>	<u>\$ 304,000</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 10 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2016, consists of the following:

June 30, 2015 balance	\$ 345,696
Amortization of deferred inflows for actuarial experience	(30,036)
Deferred inflows for actuarial experience	180,704
Amortization of deferred inflows for investment earnings	(78,654)
Change in proportionate share	<u>(6,257)</u>
Total	<u>\$ 411,453</u>

NOTE 11 - NET POSITION RESTRICTIONS

The School can restrict net position to be maintained for specific purposes. The nature and purpose of these are explained as follows:

Restricted for education - \$7,525 of funds are legally restricted by the State or other sources for various purposes.

NOTE 12 - FUND BALANCES

Fund balances are classified as follows:

Restricted: \$7,525 is legally restricted by the State or other sources for various purposes.

Committed: \$15,790 is committed by the School Board for education purposes.

Assigned: \$65,877 of Student Activity funds are assigned for a specific purpose.

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the School that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

NOTE 13 - INTERNAL BALANCES

Internal balances at June 30, 2016, consist of the following:

<u>Due to:</u>	<u>Due from:</u> <u>Federal Projects</u> <u>Fund</u>
General Fund	<u>\$ 10,451</u>

Internal balance represents amounts paid by the General Fund on behalf of the Federal Projects Fund that are to be reimbursed in the next fiscal year.

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the governmental-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(2,802,222) difference are as follows:

Bonds - 2015	\$ (960,000)
Bonds - 2004	<u>(1,842,222)</u>
Net adjustment	<u>\$(2,802,222)</u>

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(128,510) difference are as follows:

Deferred outflows related to pensions	\$ 289,992
Net pension liability	(7,049)
Deferred inflows related to pensions	<u>(411,453)</u>
Net adjustment	<u>\$ (128,510)</u>

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(141,160) difference are as follows:

Depreciation expense	\$ (205,979)
Capital outlay	<u>64,819</u>
Net adjustment	<u>\$ (141,160)</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$121,500 difference are as follows:

Bonds - 2015	\$ 85,000
Bonds - 2004	<u>36,500</u>
Net adjustment	<u>\$ 121,500</u>

Another element of that reconciliation states that, "Pension expense from the prior year is not reported in the governmental funds but is added to governmental activities revenue. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$84,265 difference are as follows:

Negative pension expense	\$ 4,750
Contributions	79,599
Change in proportionate share	<u>(84)</u>
Net adjustment	<u>\$ 84,265</u>

NOTE 15 - PRIOR PERIOD ADJUSTMENT

An adjustment has been made to deferred outflows related to pensions and net position. The effect of this adjustment is shown below:

June 30, 2015 deferred outflows related to pensions	\$ 94,351
Prior period adjustment	<u>34,375</u>
July 1, 2015 deferred outflows related to pensions	<u>\$ 128,726</u>
June 30, 2015 net position	\$ 1,557,313
Prior period adjustment	<u>34,375</u>
July 1, 2015 net position	<u>\$ 1,591,688</u>

NOTE 16 - TEACHER RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

Teachers with memberships in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Richard City Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced by 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

NOTE 16 - TEACHER RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions of the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Richard City Schools for the year ended June 30, 2016 to the Teacher Retirement Plan were \$8,810, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets)

At June 30, 2016, Richard City Schools reported an asset of \$2,577 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Richard City Schools' proportion of the net pension asset was based on Richard City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Richard City Schools' proportion was 0.064046 percent.

Pension Expense

For the year ended June 30, 2016, Richard City Schools recognized pension expense of \$3,377.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, Richard City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 839
Net difference between projected and actual earnings on pension plan investments	208	-
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>8,810</u>	<u>(not applicable)</u>
Total	<u>\$ 9,018</u>	<u>\$ 839</u>

NOTE 16 - TEACHER RETIREMENT PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Richard City Schools' employer contributions of \$8,810 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (18)
2018	\$ (18)
2019	\$ (18)
2020	\$ (18)
2021	\$ (70)
Thereafter	\$ (489)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE 16 - TEACHER RETIREMENT PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investment was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 16 - TEACHER RETIREMENT PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents Richard City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Richard City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is a 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
Richard City Schools' proportionate share of the net pension liability (asset)	\$ 457	\$ (2,577)	\$ (4,801)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

NOTE 17 - TEACHER LEGACY PENSION PLAN

General Information about the Pension Plan

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Richard City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

NOTE 17 - TEACHER LEGACY PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Richard City Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$70,789 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets)

At June 30, 2016, the Richard City Schools reported a liability of \$9,626 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Richard City Schools' proportion of the net pension liability was based on Richard City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Richard City Schools' proportion was 0.023499 percent. The proportion measured as of June 30, 2014 was 0.025820 percent.

NOTE 17 - TEACHER LEGACY PENSION PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Negative Pension Expense

For the year ended June 30, 2016, Richard City Schools recognized negative pension expense of \$7,362.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, Richard City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,725	\$ 149,829
Net difference between projected and actual earnings on pension plan investments	173,814	235,962
Changes in proportion of Net Pension Liability (Asset)	28,646	24,823
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>70,789</u>	<u>(not applicable)</u>
Total	<u>\$ 280,974</u>	<u>\$ 410,614</u>

Richard City Schools employer contributions of \$70,789, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (62,857)
2018	\$ (62,857)
2019	\$ (62,857)
2020	\$ 15,797
2021	\$ (27,656)
Thereafter	\$ -

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

NOTE 17 - TEACHER LEGACY PENSION PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE 17 - TEACHER LEGACY PENSION PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 17 - TEACHER LEGACY PENSION PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents Richard City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Richard City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% increase <u>(8.5%)</u>
Richard City Schools' proportionate share of the net pension liability (asset)	\$ 656,262	\$ 9,626	\$ (525,713)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

NOTE 18 - 401(K) PLAN

As of July 1, 2014, in addition to the TCRS Teacher Retirement Plan, Richard City-Deptford School also established a 401(k) plan administered by Great West. In this plan, teachers hired before July 1, 2014 contribute 2% of their salary. Teachers hired after July 1, 2014 contribute 2% of their salary and also receive a 5% employer contribution. Current year expenses for this plan totaled \$5,664.

NOTE 19 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

There were no material violations of finance related legal and contractual provisions.

NOTE 20 - COMMERCIAL INSURANCE

It is the policy of the School to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 21 - CONTINGENT LIABILITIES

As of June 30, 2016, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition.

NOTE 22 - SALARY SUPPLEMENTS

No salary supplements were paid to any employee of the School from Activity Funds.

NOTE 23 - LITIGATION AND CLAIMS

Certain claims and lawsuits are pending against the School. In the opinion of the School management, the potential loss on all claims and lawsuits will not be significant to the School's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Richard City Schools' Proportionate Share of the
Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS
Fiscal Year Ended June 30*

	<u>2016</u>
Richard City Schools' proportion of the net pension liability (asset)	0.064046%
Richard City Schools' proportionate share of the net pension liability (asset)	\$ (2,577)
Richard City Schools' covered payroll	\$ 133,073
Richard City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Richard City Schools' Contributions
Teacher Retirement Plan of TCRS
Fiscal Year Ended June 30*

	<u>2015</u>	<u>2016</u>
Contractually required	\$ 3,327	\$ 8,810
Contribution in relation to the contractually required contribution	<u>5,323</u>	<u>8,810</u>
Contribution deficiency (excess)	<u>\$ (1,996)</u>	<u>\$ -</u>
Richard City Schools' covered payroll	\$ 133,073	\$ 220,250
Contributions as a percentage of Richard City Schools' covered payroll	4.00%	4.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Richard City Schools' Proportionate Share of the
Net Pension Liability (Asset)
Teacher Legacy Pension Plan of TCRS
Fiscal Year Ended June 30*

	<u>2015</u>	<u>2016</u>
Richard City Schools' proportion of the net pension liability (asset)	0.025820%	0.023499%
Richard City Schools' proportionate share of the net pension liability (asset)	\$ (4,196)	\$ 9,626
Richard City Schools' covered payroll	\$ 1,013,442	\$ 879,679
Richard City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002)%	1.094253%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Richard City Schools' Contributions
Teacher Legacy Pension Plan of TCRS
Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required	\$ 89,994	\$ 79,523	\$ 70,789
Contribution in relation to the contractually required contribution	<u>89,994</u>	<u>79,523</u>	<u>70,789</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Richard City Schools' covered payroll	\$ 1,013,442	\$ 879,679	\$ 783,064
Contributions as a percentage of Richard City Schools' covered payroll	8.88%	9.04%	9.04%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

Student Activity Fund

This fund accounts for proceeds received from proceeds of athletic events, concessions and fund-raisers and for the disbursement of those funds.

Federal Projects Fund

This fund accounts for federal project funds received from the Federal Government and for disbursement of those funds for federal programs of the Richard City-Deptford School.

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds		Total Non-major Governmental Funds
	Student Activity Fund	Federal Projects Fund	
ASSETS			
Cash	\$ 67,152	\$ 4,423	\$ 71,575
Grants receivable	-	7,477	7,477
TOTAL ASSETS	<u>\$ 67,152</u>	<u>\$ 11,900</u>	<u>\$ 79,052</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 1,449	\$ 1,449
Accrued liabilities	1,275	-	1,275
Due to other funds	-	10,451	10,451
TOTAL LIABILITIES	<u>\$ 1,275</u>	<u>\$ 11,900</u>	<u>\$ 13,175</u>
 FUND BALANCES			
Assigned	<u>\$ 65,877</u>	<u>\$ -</u>	<u>\$ 65,877</u>

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds		Total Non-major Governmental Funds
	Student Activity Fund	Federal Projects Fund	
REVENUES			
Other local revenues	\$ 201	\$ -	\$ 201
Intergovernmental	-	148,904	148,904
Student activities	157,888	-	157,888
TOTAL REVENUES	<u>158,089</u>	<u>148,904</u>	<u>306,993</u>
EXPENDITURES			
Current expenditures			
Regular instruction	-	68,882	68,882
Special education program	-	34,195	34,195
Other student support	-	1,031	1,031
Regular and special education support	-	44,796	44,796
Student activities	157,554	-	157,554
TOTAL EXPENDITURES	<u>157,554</u>	<u>148,904</u>	<u>306,458</u>
Excess (deficiency) of revenues over (under) expenditures	535	-	535
Fund balances - beginning	<u>65,342</u>	<u>-</u>	<u>65,342</u>
Fund balances - end	<u>\$ 65,877</u>	<u>\$ -</u>	<u>\$ 65,877</u>

RICHARD CITY-DEPTFORD SCHOOL
Student Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Other local revenues				
Interest	\$ 200	\$ 200	\$ 201	\$ 1
Student activities				
Annual	14,000	14,000	10,556	(3,444)
Instruction supplies	14,500	15,710	11,040	(4,670)
School production and trips	5,000	9,134	9,939	805
Book fair	-	3,000	2,758	(242)
Athletics	50,000	50,350	38,729	(11,621)
Administration	2,000	2,000	22,824	20,824
Class and clubs	66,200	69,500	62,042	(7,458)
Total student activities	151,700	163,694	157,888	(5,806)
TOTAL REVENUES	151,900	163,894	158,089	(5,805)
EXPENDITURES				
Current expenditures				
Annual	14,000	14,000	13,191	809
Instruction supplies	1,400	6,060	2,659	3,401
School production and trips	5,000	9,834	9,811	23
Book fair	-	3,000	2,950	50
Athletics	46,000	51,325	48,475	2,850
Administration	1,000	20,000	19,133	867
Class and clubs	58,610	83,665	61,335	22,330
Total student activities	126,010	187,884	157,554	30,330
TOTAL EXPENDITURES	126,010	187,884	157,554	30,330
Excess (deficiency) of revenues over (under) expenditures	25,890	(23,990)	535	24,525
Fund balances - beginning	65,342	65,342	65,342	-
Fund balances - end	\$ 91,232	\$ 41,352	\$ 65,877	\$ 24,525

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental				
Title I	\$ 73,826	\$ 67,716	\$ 67,716	\$ -
Title II - Part A	20,139	9,442	9,442	-
Title VI	13,219	13,219	13,219	-
IDEA - Part B	69,315	54,357	54,357	-
IDEA - Preschool	5,821	4,170	4,170	-
TOTAL REVENUES	182,320	148,904	148,904	-
EXPENDITURES				
Current expenditures				
Regular instruction				
Salaries	40,146	39,846	39,846	-
Payroll taxes	3,049	3,048	3,048	-
Retirement	3,595	3,595	3,595	-
Supplies and materials	14,682	19,393	19,393	-
Other charges	3,250	3,000	3,000	-
Total regular instruction	64,722	68,882	68,882	-
Special education program				
Salaries	31,500	31,500	31,500	-
Payroll taxes	2,410	2,410	2,410	-
Supplies and materials	1,423	285	285	-
Total special education program	35,333	34,195	34,195	-
Other student support				
Salaries	8,634	802	802	-
Payroll taxes	620	62	62	-
Retirement	630	-	-	-
Medical insurance	555	-	-	-
Other charges	150	167	167	-
Total other student support	10,589	1,031	1,031	-

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Regular and special education support				
Salaries	\$ 30,080	\$ 21,998	\$ 21,998	\$ -
Payroll taxes	2,317	1,683	1,683	-
Retirement	2,469	1,753	1,753	-
Contracted services	6,099	3,670	3,670	-
Supplies and materials	1,510	1,104	1,104	-
Staff development	4,750	14,425	14,425	-
Other charges	150	163	163	-
Total regular and special education support	<u>47,375</u>	<u>44,796</u>	<u>44,796</u>	<u>-</u>
TOTAL EXPENDITURES	<u>158,019</u>	<u>148,904</u>	<u>148,904</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	24,301	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end	<u>\$ 24,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Identification Number</u>	<u>(Receivable) Deferred July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred June 30, 2016</u>
<u>FEDERAL FINANCIAL ASSISTANCE</u>						
U.S. Department of Education						
Passed through Tennessee Department of Education:						
Elementary and Secondary						
Education Act - Title I, Part A	84.010A	2014.01	\$ (124)	\$ 65,621	\$ 67,716	\$ (2,219)
IDEA - Part B	84.027A	2014.01	(2,163)	56,520	54,357	-
IDEA - Preschool	84.173A	2014.01	(252)	3,790	4,170	(632)
Title II, Part A	84.367A	2014.01	(161)	4,977	9,442	(4,626)
Title VI	84.358A		-	13,219	13,219	-
Total Dept. of Education			<u>(2,700)</u>	<u>144,127</u>	<u>148,904</u>	<u>(7,477)</u>
U.S. Department of Agriculture						
USDA - School Lunch	10.555		-	71,284	71,284	-
USDA - School Breakfast	10.553		-	35,187	35,187	-
Total U.S. Dept. of Agriculture			<u>-</u>	<u>106,471</u>	<u>106,471</u>	<u>-</u>
Total federal financial awards			<u>(2,700)</u>	<u>250,598</u>	<u>255,375</u>	<u>(7,477)</u>
<u>STATE FINANCIAL ASSISTANCE</u>						
State Discretionary - Early Childhood Education - Pilot/State			(6,439)	102,704	96,265	-
State Discretionary - Coordinated School Health - Expansion			<u>(3,984)</u>	<u>76,984</u>	<u>73,000</u>	<u>-</u>
Total state financial awards			<u>(10,423)</u>	<u>179,688</u>	<u>169,265</u>	<u>-</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ (13,123)</u>	<u>\$ 430,286</u>	<u>\$ 424,640</u>	<u>\$ (7,477)</u>

RICHARD CITY-DEPTFORD SCHOOL
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Richard City-Deptford School and is presented on the modified accrual basis of accounting.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Bonds of School Officials
Year Ended June 30, 2016

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>	<u>Expires</u>
Cindy Blevins, Director of Schools	Western Surety Company	\$ 150,000	09/05/2018

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2016

SCHOOL BOND - SERIES 2015
Bearing interest at the annual rate of 3.75%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 90,000	\$ 36,000	\$ 126,000
2018	95,000	32,625	127,625
2019	95,000	29,062	124,062
2020	105,000	25,500	130,500
2021	110,000	21,563	131,563
2022	110,000	17,438	127,438
2023	115,000	13,313	128,313
2024	120,000	9,000	129,000
2025	<u>120,000</u>	<u>4,500</u>	<u>124,500</u>
Total	<u>\$ 960,000</u>	<u>\$ 189,001</u>	<u>\$ 1,149,001</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2016

SCHOOL BOND - SERIES 2004
Bearing interest at the annual rate of 4.25%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 37,034	\$ 78,610	\$ 115,644
2018	38,639	77,005	115,644
2019	40,314	75,330	115,644
2020	42,061	73,583	115,644
2021	43,884	71,760	115,644
2022	45,786	69,858	115,644
2023	47,770	67,874	115,644
2024	49,840	65,804	115,644
2025	52,000	63,644	115,644
2026	54,254	61,390	115,644
2027	56,605	59,039	115,644
2028	59,058	56,586	115,644
2029	61,617	54,027	115,644
2030	64,288	51,356	115,644
2031	67,074	48,570	115,644
2032	69,981	45,663	115,644
2033	73,013	42,631	115,644
2034	76,178	39,466	115,644
2035	79,479	36,165	115,644
2036	82,923	32,721	115,644
2037	86,517	29,127	115,644
2038	90,267	25,377	115,644
2039	94,178	21,466	115,644
2040	98,260	17,384	115,644
2041	102,518	13,126	115,644
2042	106,961	8,683	115,644
2043	111,597	4,047	115,644
2044	<u>10,126</u>	<u>264</u>	<u>10,390</u>
Total	<u>\$ 1,842,222</u>	<u>\$ 1,290,556</u>	<u>\$ 3,132,778</u>

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Schedule of Tax Rates, Assessments and Taxes Receivable
June 30, 2016

<u>Year of Levy</u>	Special School District Tax Rate Per \$100 Assessment Plus Allotment	Marion County Allotment ADA Rate	Special School District Assessment	Marion County Assessment	Property Taxes Receivable
2016	\$.1965	.0586%	\$ 13,028,633	\$ 665,824,714	\$ 304,000
2015	\$.1965	.0617%	\$ 13,028,633	\$ 663,034,784	7,458
2014	\$.1965	.0669%	\$ 12,929,803	\$ 658,005,189	-
2013	\$.1965	.0745%	\$ 12,767,391	\$ 649,741,158	-
2012	\$.1965	.0694%	\$ 12,688,335	\$ 645,716,775	-
2011	\$.19	.0649%	\$ 11,287,300	\$ 517,719,568	-
2010	\$.21	.0648%	\$ 8,523,810	\$ 424,382,716	-
2009	\$.21	.0708%	\$ 8,571,429	\$ 388,418,079	-
2008	\$.21	.0652%	\$ 9,857,143	\$ 480,061,350	-
2007	\$.21	.0652%	\$ 10,603,260	\$ 517,570,844	-
Less allowance for uncollectibles - see note below.					(-)
					<u>\$ 311,458</u>

Marion County has periodic public sales of delinquent tax properties and all delinquent property taxes are eventually collected. Accordingly, there is no allowance for uncollectible taxes.

The Richard City-Deptford Schools receive the \$1.965 special school district taxes on property in the Richard City-Deptford School District, as well as a portion of the real property taxes for Marion County that is allotted to schools. The percentage they receive is adjusted based on school attendance.

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Richard City-Deptford School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Richard City-Deptford School as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Richard City-Deptford School's basic financial statements and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richard City-Deptford School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richard City-Deptford School's internal control. Accordingly, we do not express an opinion on the effectiveness of Richard City-Deptford School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Education
Richard City-Deptford School
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard City-Deptford School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
October 14, 2016

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses
June 30, 2016

SUMMARY OF AUDIT RESULTS

Opinion:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

None disclosed.

Material Noncompliance:

None disclosed.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Prior Audit Findings
June 30, 2016

INTERNAL CONTROLS

None.

COMPLIANCE

Finding 2015-001 - Expenditures Exceeded Budget
Corrected.